

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7406**

**BILL NUMBER: HB 2046**

**DATE PREPARED:** Jan 23, 1999

**BILL AMENDED:**

**SUBJECT:** Graduated Income Tax; Supplemental Net Income Tax.

**FISCAL ANALYST:** Diane Powers

**PHONE NUMBER:** 232-9853

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		492,628,000	995,075,500
State Expenditures			
Net Increase (Decrease)		492,628,000	995,075,500

**Summary of Legislation:** (1) *Graduated Income Tax:* This bill establishes a Graduated Individual Income Tax that ranges from 3.4% of adjusted gross income of less than \$50,000 for a husband and wife filing a joint return and \$30,000 for a person filing a single return to 8.5% of adjusted gross income of at least \$100,000 for a husband and wife filing a joint return and \$60,000 for a person filing a single return.

(2) *Tax Credit:* This bill entitles an individual to an Adjusted Gross Income Tax credit in the amount of \$25 per \$1,000 exemption allowed for the individual, spouse, dependents and blind/elderly.

(3) *SNIT:* The bill also increases the Supplemental Corporate Net Income Tax (SNIT) to 5.5%. (The current tax rate is 4.5%.)

**Effective Date:** January 1, 2000.

**Explanation of State Expenditures:** The Department of Revenue will have additional administrative expenses associated with implementing the provisions of this bill. There will be major changes in the individual income tax forms, instructions and computer programs associated with the new graduated income tax structure. Changes will also have to be made to the corporate income tax returns.

**Explanation of State Revenues:** (1) *Graduated Income Tax*: For tax years beginning January 1, 2000, the rate of taxation of individual adjusted gross income will be based on the following levels:

<b>Taxpayers filing Single Returns- Portion of Adjusted Gross Income</b>	<b>Tax Rate</b>	<b>Taxpayers filing Joint Returns- Portion of Adjusted Gross Income</b>	<b>Tax Rate</b>
Less than \$30,000	3.4%	Less than \$50,000	3.4%
\$30,000 to \$41,999	5.3%	\$50,000 to \$69,999	5.3%
\$42,000 to \$59,999	7.5%	\$70,000 to \$99,999	7.5%
\$60,000 and above	8.5%	\$100,000 and above	8.5%

These new rates are estimated to increase individual income tax revenue by \$451.9 M in FY 2000 due to five months where withholding may change and \$1,075.9 M in FY 2001.

(2) *Tax Credit*: This bill provides an Adjusted Gross Income Tax credit for each an individual in the amount of \$25 per \$1,000 exemption allowed for the individual, spouse, dependents and blind/elderly. Based on the Department of Revenue's Individual Income Tax Statistics there were 5,629,659 federal exemptions claimed and 603,326 blind/elderly exemptions claimed. Adjusting for growth in these exemptions for tax years beginning in 2000, it is estimated that this tax credit will reduce individual income tax revenue collections by \$162.3 M in FY 2001.

(3) *SNIT*: The bill also increases the Supplemental Corporate Net Income Tax (SNIT) from 4.5% to 5.5% effective for tax years beginning January 1, 2000. This will increase corporate revenue collections by approximately \$40.75 M in FY 2000 (assuming two quarterly payments are made) and by \$81.5 M in FY 2001.

The total impact of these tax changes will result in an increase in revenue collections by \$492.6 M in FY 2000 and \$995.1 M in FY 2001.

Individual Income Tax revenue and SNIT revenue are deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Revenue.

**Local Agencies Affected:**

**Information Sources:** Department of Revenue; Legislative Services Individual Income Tax Model; State Budget Agency Corporate Income Tax Model; December 17, 1998 Revenue Forecast.